



Broward County

Legislation Text

File #: 20-080, Version: 1

Broward County Commission Regular Meeting

Director's Name: Henry A. Sniezek

Department: Environmental Protection

Division: Housing Finance & Comm. Redevelopment

Information

Requested Action

MOTION TO APPROVE First Amendment to Ground Lease Agreement between Broward County and Related FAT Village, LLC, to extend the lease term, for a 156 housing unit development restricted coterminous with the term of the lease to moderate or below moderate incomes, from 60 years to 75 years and to accelerate commencement of lease payments; and authorize the Mayor and Clerk to execute same. **(Commission District 7)**

Why Action is Necessary

Amendments to lease agreement terms previously approved by the Board on December 12, 2017, require approval by the Board of County Commissioners.

What Action Accomplishes

Action approves a First Amendment to the Ground Lease, which extends the lease term to 75 years in order to facilitate more favorable construction financing terms for the lessee.

Is this Action Goal Related

Yes

Previous Action Taken

No previous action.

Summary Explanation/Background

THE ENVIRONMENTAL PROTECTION AND GROWTH MANAGEMENT DEPARTMENT AND THE HOUSING FINANCE AND COMMUNITY REDEVELOPMENT DIVISION RECOMMEND APPROVAL OF THE ABOVE MOTION.

This item supports the Board's Value of offering sustainable, compatible, innovative housing options for all income-levels, including integrated supportive housing and rapid-rehousing: Goal 1: Facilitate a regional approach to growth and redevelopment through coordination and collaboration at the federal, state and local levels; Goal 2: Strengthen stakeholder partnerships to increase the availability of affordable housing of all types (e.g. rental, purchase, supportive, etc.), countywide, in every community; and Goal 3: Develop, through effective community collaboration, neighborhoods and communities incorporating intermodal connectivity, while integrating energy efficiency community resilience, and other livability standards and initiatives.

On December 12, 2017, the Board of County Commissioners (Board) approved Agenda Item #74 which approved the Ground Lease between Broward County ("County") and Related FAT Village LLC, ("RELATED"), for a County owned property located at 600 North Andrews Avenue, Fort Lauderdale, Florida, in exchange for the financing, design, construction, operation and maintenance of a mixed-use development on the leased premises. The project will include 156 residential units for moderate or below moderate incomes (i.e., up to 120% of Area Medium Incomes).

On December 17, 2019, the County, as authorized by the County Administrator, and RELATED executed the Agreement to Extend Ground Lease Commencement Date, ("Extension Agreement") (EXHIBIT 2) which extended the deadline for RELATED to obtain construction financing ("Commencement Date") from December 31, 2019 to December 31, 2020. This extension was requested by RELATED, (EXHIBIT 3, Letter dated December 4, 2019). The extension was also necessary because as according to the Ground Lease, if the Commencement Date did not occur by December 31, 2019, the Ground Lease would automatically be terminated, unless the parties agreed otherwise in writing.

Since the approval of the Agreement, RELATED has provided quarterly status/progress reports to the County and met with County staff on several occasions to discuss the project financing and development issues which have created delays in securing approval of development plans and construction financing. RELATED has been working closely with the City of Fort Lauderdale and the Fort Lauderdale Community Redevelopment Agency (CRA) to secure approval of a revised development plan, elimination of the need for variances and possible additional funding assistance from the CRA. Based on the revised development timeline provided by RELATED (EXHIBIT 3), they anticipate closing on construction financing by December 31, 2020 and complete construction of the project by June 2022.

As part of its effort to secure construction financing, RELATED finds it necessary to request a lease term extension from 60 to 75 years. (EXHIBIT 3). According to the letter, and a letter by their lender (EXHIBIT 4), increasing the lease term to 75 years is important to secure conventional financing. This First Amendment to Ground Lease Agreement extends the term of the Ground Lease to 75 years. As provided in the Ground Lease, the affordability period for the residential units would be extended to be co-terminus with the term of the lease. In addition, the First Amendment to Ground Lease accelerates the start date for the payment of rent, so that rent payments will begin upon execution of the First Amendment to Ground Lease, rather than on the Commencement Date.

Finally, the project is unique in that the client population will allow up to moderate/workforce residents at 120 per cent of median income. This is a difficult population to serve as most affordable financing options are limited to low income residents. Also, there are four low income tax credit affordable projects within a four-block radius and this option provides a better distribution of affordable units.

Source of Additional Information

Ralph Stone, Director, Housing Finance and Community Redevelopment Division, (954) 357-5320

Fiscal Impact

Fiscal Impact/Cost Summary

This agreement will generate the following revenues; (1) an initial capital lease payment of \$300,000; (2) 25% of any net cash flow generated from the commercial use of the project; and (3) a minimum annual base rent of \$25,000 is due prior to Rent Stabilization (as defined in the agreement). Upon Rent Stabilization or 24 months after Commencement Date, an annual minimum base rent of \$100,000 or 25% of net cash flow (whichever is greater) is payable. The annual minimum base rent of \$100,000 escalates 3% each year.